



CLOUDARON GROUP BERHAD

(Company No. 1230681-M)

(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 SEPTEMBER 2018**

CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY CLOUDARON GROUP BERHAD (“CLOUDARON” OR THE “COMPANY”). SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

CLOUDARON GROUP BERHAD
(Company No. 1230681-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018⁽¹⁾

	As at 30.09.2018 Unaudited RM'000	As at 31.03.2018 Audited RM'000
<u>ASSETS</u>		
Non-current assets		
Plant and equipment	488	502
Intangible assets	53,828	24,854
Other investment	-	1,386
Total non-current assets	54,316	26,742
Current assets		
Trade and other receivables	33,173	34,534
Deposits, cash and bank balances	3,482	5,917
Total current assets	36,655	40,451
Total assets	90,971	67,193
<u>LIABILITIES AND EQUITY</u>		
Equity		
Share capital	52,643	37,984
Merger reserves	(7,496)	(7,496)
Translation reserve	608	(120)
Retained earnings	11,038	10,906
Total equity	56,793	41,274
Non-current liabilities		
Finance lease liabilities	6	8
Deferred tax liabilities	646	667
Total non-current liabilities	652	675
Current liabilities		
Finance lease liabilities	3	3
Trade and other payables	33,355	25,190
Derivative financial liabilities	-	3
Tax payable	168	48
Total current liabilities	33,526	25,244
Total liabilities and equity	90,971	67,193
Net assets per share (sen)⁽²⁾	6.83	5.32

CLOUDARON GROUP BERHAD
(Company No. 1230681-M)

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position are detailed in Note A1 and should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2018 of the Company and the accompanying explanatory notes attached to this interim financial report.*
- (2) Net assets per share is calculated based on the Company's number of ordinary shares of 831,188,488 at the end of the reporting period and 775,267,102 for the Financial Year Ended 31 March 2018.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018⁽¹⁾

	Individual 6 months ended		Cumulative 6 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Revenue	30,275	27,397	30,275	27,397
Cost of sales	(22,347)	(18,838)	(22,347)	(18,838)
Gross profit	7,928	8,559	7,928	8,559
Other income	283	241	283	241
Administrative expenses	(6,761)	(6,564)	(6,761)	(6,564)
Other operating expenses	(997)	(96)	(997)	(96)
Listing expenses	-	(1,715)	-	(1,715)
Finance costs	(260)	(270)	(260)	(270)
Profit before tax	193	155	193	155
Taxation	(61)	(20)	(61)	(20)
Profit for the financial period	132	135	132	135
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Exchange translation differences for foreign operations	728	(590)	728	(590)
Other comprehensive income / (loss) for the financial period, net of tax	728	(590)	728	(590)
Total comprehensive income / (loss) for the financial period	860	(455)	860	(455)
Profit for the financial period attributable to owners of the Company	132	135	132	135
Total comprehensive profit / (loss) attributable to owners of the Company	860	(455)	860	(455)
Earnings per ordinary share ("EPS") (sen):				
- Basic	0.02	0.02	0.02	0.02
- Diluted	0.02	0.02	0.02	0.02

CLOUDARON GROUP BERHAD
(Company No. 1230681-M)

Note:

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statements of Comprehensive Income are detailed in Note A1 and should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2018 of the Company and the accompanying explanatory notes attached to this interim financial report.*

CLOUDARON GROUP BERHAD

(Company No. 1230681-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018⁽¹⁾

	← Non-distributable →			Distributable		Total equity RM'000
	Share capital RM'000	Capital reserve RM'000	Merger reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	
Balance at 1 April 2017	23,241	194	(107)	1,855	5,488	30,671
Total comprehensive income/(loss) for the financial period						
Profit for the financial period	-	-	-	-	135	135
Other comprehensive loss for the financial period	-	-	-	(590)	-	(590)
Total	-	-	-	(590)	135	(455)
Transactions with owners, recognised directly in equity						
Termination of share warrants	-	(194)	-	-	194	-
Conversion of convertible loan notes	2,007	-	-	-	-	2,007
Merger reserve arising from restructuring before listing	7,389	-	(7,389)	-	-	-
Issuance of ordinary shares arising from Excluded Issue	5,500	-	-	-	-	5,500
Listing expenses	(153)	-	-	-	-	(153)
Total	14,743	(194)	(7,389)	-	194	7,354
Balance at 30 September 2017	37,984	-	(7,496)	1,265	5,817	37,570

CLOUDARON GROUP BERHAD

(Company No. 1230681-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018⁽¹⁾ (CONT'D)

	← Non-distributable →				Distributable	Total equity RM'000
	Share capital	Capital reserve	Merger reserve	Translation reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance at 1 April 2018	37,984	-	(7,496)	(120)	10,906	41,274
Total comprehensive income for the financial period						
Profit for the financial period	-	-	-	-	132	132
Other comprehensive income for the financial period	-	-	-	728	-	728
Total	-	-	-	728	132	860
Transaction with owners, recognised directly in equity						
Issuance of ordinary shares arising from Realtors8 Acquisition and DACS Acquisition (as defined in Note A6)	14,659	-	-	-	-	14,659
Total	14,659	-	-	-	-	14,659
Balance at 30 September 2018	52,643	-	(7,496)	608	11,038	56,793

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity are detailed in Note A1 and should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2018 of the Company and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018⁽¹⁾

	6 months ended	
	30.09.2018	30.09.2017
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	193	155
Adjustments for:		
Depreciation of plant and equipment	233	235
Amortisation of intangible assets	399	275
Fair value gain on derivative financial instruments	-	(87)
Listing expenses	-	1,715
Interest income	(11)	(1)
Interest expense	260	270
Operating profit before working capital changes	1,074	2,562
Changes in working capital		
Trade and other receivables	6,979	6,119
Trade and other payables	(2,177)	(5,479)
Cash generated from operations	5,876	3,202
Income tax (paid) / refunded	(191)	100
Interest received	11	1
Interest paid	(4)	(270)
Net cash generated from operating activities	5,692	3,033
Cash flows from investing activities		
Net cash outflows from acquisition of subsidiary companies	(69)	-
Purchase of plant and equipment	(8)	(35)
Software development expenditure	(7,957)	(4,367)
Net cash used in investing activities	(8,034)	(4,402)
Cash flows from financing activities		
Proceeds from issue of new shares	-	5,500
Listing expenses	-	(922)
Repayment of finance lease liabilities	(112)	(2)
Net cash (used in) / generated from financing activities	(112)	4,576
Net (decrease) / increase in cash and cash equivalents	(2,454)	3,207
Effect of exchange translation differences on cash and cash equivalents	19	(286)
Cash and cash equivalents at the beginning of the financial period	5,917	5,063
Cash and cash equivalents at the end of the financial period	3,482	7,984

CLOUDARON GROUP BERHAD
(Company No. 1230681-M)

Notes:

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows are detailed in Note A1 and should be read in conjunction with the Audited Report and Financial Statements for the financial year ended 31 March 2018 of the Company and the accompanying explanatory notes attached to this interim financial report.*

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

A1. BASIS OF PREPARATION

The interim financial statements of Cloudaron and its subsidiaries (the “**Group**”) are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“**MFRS**”) 134: Interim Financial Reporting.

This is the interim financial report on the consolidated results for the half-year ended 30 September 2018 announced by the Company in compliance with Rule 6.12 of the LEAP Market Listing Requirements of Bursa Securities (“**Listing Requirements**”). The comparative figures have been presented as if the combination has occurred from the date when the combining entities first came under common control.

The interim financial report should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2018 of the Company and the accompanying explanatory notes attached to this interim financial report.

A2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the Audited Combined Financial Statements except for the following:

MFRSs	Effective date
MFRS 9 <i>Financial Instruments (IFRS 9 issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 15 <i>Clarifications to MFRS 15</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycle:	
• Amendments to MFRS 1	1 January 2018
• Amendments to MFRS 128	1 January 2018

The adoption of the above new MFRSs, new interpretations and amendments to MFRSs do not have any significant financial impact on the results and financial position of the Group for the current period, except as mentioned below:

(i) MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Three principal classifications categories for financial assets are measured at amortised cost, fair value through other comprehensive income (“**FVOCI**”) and fair value through profit or loss

(“FVTPL”). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

There was no material impact on the Group’s financial assets upon initial application of the new classification and measurement requirements.

MFRS 9 also replaces the incurred loss model in respect of impairment assessment in MFRS 139 with a forward-looking expected credit loss (“ECL”) model. Under MFRS 9, loss allowances are measured on either a 12-month ECL or a Lifetime ECL.

There was no material impact on the Group’s consolidated financial statements upon application of the forward-looking ECL model.

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

There was no material impact on the Group’s consolidated financial statements upon application of MFRS 15.

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018 (CONT'D)

A3. SEASONAL OR CYCLICAL FACTORS

Based on previous years' record, the revenues are generally stronger for the second half of the financial year due to clients utilising the remainder of their annual IT budgets.

A4. UNUSUAL ITEMS

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial period.

A5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in accounting estimates in the current financial period.

A6. DEBT AND EQUITY SECURITIES

Save as disclosed below, there were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period:

- (i) On 15 February 2018, Cloudaron Pte Ltd, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with 8Common Limited to acquire the remaining 90.0% equity interest in Realtors8 Pte Ltd for a purchase consideration of SGD4.23 million (approximately RM12.58 million), which shall be satisfied *via* issuance of 52,427,325 new ordinary shares of the Company ("**Consideration Share**") in 2 tranches. The first tranche being SGD3.18 million (approximately RM9.46 million) *vide* the issuance of 39,413,450 Consideration Shares was listed on 7 August 2018 and the second tranche being SGD1.05 million (approximately RM3.12 million) *vide* the issuance of 13,013,875 Consideration Shares shall be issued subject to the salient terms of the sale and purchase agreement as disclosed in the Circular to Shareholders dated 6 June 2018 ("**Realtors8 Acquisition**"); and
- (ii) On 30 March 2018, the Company entered into a sale and purchase agreement with Edmund Low Chun Hoong to acquire 100% equity interest in DACS Network Solutions Sdn Bhd for a purchase consideration of RM7.20 million, which shall be satisfied *via* a combination of cash and issuance of Consideration Shares as set out in the salient terms of the sale and purchase agreement disclosed in the Circular to Shareholders dated 6 June 2018. The issuance of 16,507,936 Consideration Shares amounting to RM5.20 million was listed on 9 July 2018 ("**DACS Acquisition**").

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018 (CONT'D)

A7. SEGMENTAL INFORMATION

The Group's revenue based on its activities is presented as follows:

	Individual 6 months ended		Cumulative 6 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Enterprise solutions ⁽¹⁾	24,384	22,345	24,384	22,345
Infrastructure services ⁽²⁾	1,443	-	1,443	-
Digital platform ⁽³⁾	4,448	5,052	4,448	5,052
Total	30,275	27,397	30,275	27,397

Notes:

The operating segments have been reorganised as follows: -

- (1) *Enterprise solutions comprise of cyber security business, system and cloud consultancy services and managed services;*
- (2) *Infrastructure services comprise services for operating hardware with computer programs, networking interconnectivity and associated facilities; and*
- (3) *Digital platforms comprise platforms that offer or aggregate digital services where the Group participates or owns and operates in partnerships with enterprises.*

The Group's revenue based on geographical location is presented as follows:

	Individual 6 months ended		Cumulative 6 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Singapore	24,384	22,306	24,384	22,306
Indonesia	-	670	-	670
Malaysia	1,842	571	1,842	571
Philippines	-	3,850	-	3,850
China	3,240	-	3,240	-
Others	809	-	809	-
Total	30,275	27,397	30,275	27,397

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018 (CONT'D)

A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There were no material events subsequent to the end of the current financial period.

A9. CHANGES IN THE COMPOSITION OF THE GROUP

Save as disclosed in Note A6, there were no changes in the composition of the Group for the current financial period.

A10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingent assets and contingent liabilities as at the date of this interim financial report.

A11. CAPITAL COMMITMENTS

There were no material capital commitments in respect of property, plant and equipment as at the end of the current financial period.

B ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

The Group recorded a revenue of RM30.28 million for the current financial period ended 30 September 2018, an increase of RM2.88 million or 10.5% as compared with RM27.40 million in the corresponding period of the preceding year. The increase was mainly coming from the Group's enterprise solutions business and infrastructure services business.

The enterprise solutions business increased by approximately RM2.04 million or 9.1% mainly coming from stronger demand from the public sector in Singapore.

The infrastructure solutions business has contributed approximately RM1.44 million mainly due to the Group's expansion into the provision of network connectivity services in Malaysia.

The digital platform business recorded a decrease of RM0.60 million or 11.96% but the business activities is expected to ramp up in second half of the financial year ending 2019 and recognise new revenues from the Group's acquisitions.

The Group recorded a profit before tax of RM0.19 million for the current financial period ended 30 September 2018, an increase of RM0.03 million as compared with a profit before tax of RM0.16 million in the corresponding period of the preceding year. The increase in profit before tax was mainly due to the absence of one-off listing expenses that were incurred in the corresponding period of the preceding year.

B2. PROSPECTS

In the second half of the financial year, the Group expects positive contribution from the two acquisitions that was completed in the first half of the year for the Ubertor digital platform, a digital subscription business for the real estate market, and DACS network broadband services. The Ubertor revenues will contribute to the digital platform segment, with its existing business in Canada and planned expansion to the market in United States. The DACS network broadband business will complement the services provided in infrastructure services segment. We also expect a seasonal pickup of revenues from the enterprise solutions segment, although there is a risk of a knock down effect causing a general slowdown in the economy due to the current trade war that is happening globally.

B3. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST AND PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

C OTHER INFORMATION

C1. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but pending completion as at the date of this report.

C2. UTILISATION OF PROCEEDS

The status of utilisation of the proceeds from the Excluded Issue of RM5.50 million are as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation ⁽¹⁾ RM'000	Deviation RM'000	Balance RM'000	Estimated timeframe for utilisation upon listing
Overseas establishment costs	2,400	(1,660)	-	740	Within 24 months
Working capital	1,900	(1,900)	-	-	Within 24 months
Estimated listing expenses ⁽²⁾	1,200	(1,200)	-	-	Immediate
Total	5,500	(4,760)	-	740	

Notes:

(1) Utilisation as at 30 September 2018.

(2) The Group incurred listing expenses of RM1.87 million, of which RM0.67 million came from internally generated funds.

C3. MATERIAL LITIGATION

There are no material litigations pending as at the date of this report.

C4. DIVIDENDS

The Board does not recommend any dividend for the current period.

C5. EARNINGS PER SHARE

- (i) The basic earnings per share for the current financial period and financial year-to-date are computed as follows:

	Individual 6 months ended		Cumulative 6 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	132	135	132	135
Weighted average number of ordinary shares in issue ('000)	794,690	725,814	794,690	725,814
Basic earnings per share (sen)	0.02	0.02	0.02	0.02

The earnings per share for the financial period ended 30 September 2018 and 30 September 2017 were computed based on weighted average number of shares adjusted to take into account the issuance of new shares.

- (ii) Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive instruments.